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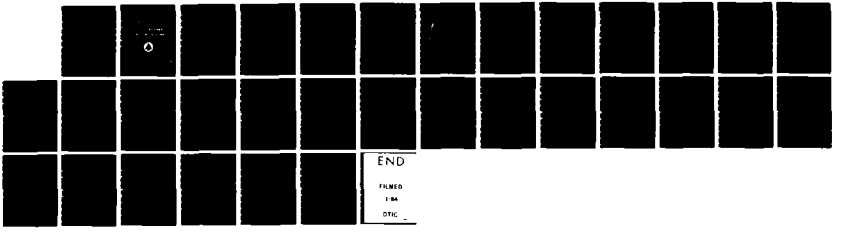

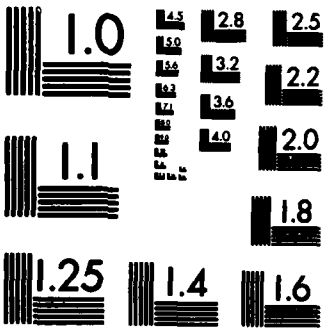

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MTMC PAMPHLET NO 55 - 13

TRANSPORTATION AND TRAVEL

DOD CONTAINER DELIVERY SYSTEM

NOVEMBER 1983

HEADQUARTERS MILITARY TRAFFIC MANAGEMENT COMMAND

DEPARTMENT OF THE ARMY
HEADQUARTERS, MILITARY TRAFFIC MANAGEMENT COMMAND
Washington, D. C. 20315

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NO. 55-13

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Transportation and Travel

DOD CONTAINER DELIVERY SYSTEM

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CHAPTER 1

INTRODUCTION

1-1. PURPOSE

This publication describes the peacetime container system used by the Department of Defense (DOD) components and other agencies for moving DOD sponsored cargo transported in surface intermodal containers between the Continental United States (CONUS) and oversea areas.

1-2. SCOPE

The DOD container delivery system described in this pamphlet encompasses the operations, functions, management responsibilities, and relationships between the Military Traffic Management Command (MTMC), and Military Sealift Command (MSC), shipping and receiving activities, shipper services, oversea commands and ocean carriers.

1-3. BACKGROUND

a. DOD has been a leader in the use of container systems for moving international freight in support of US Forces. A correlation of the modern maritime container was the container express (CONEX) system which was a reusable steel container measuring 8' x 6' x 7'. This system was developed by DOD in the early fifties to meet a requirement to reduce loss, damage and pilferage of household goods. The program was a success and by the midfifties a regular CONEX shipping program was in operation for other troop support cargo. At the peak of the program the Army and the Air Force jointly owned about 100,000 containers.

b. In the midfifties ocean carriers began to develop the intermodal container system service as we know it today. Initially, the service was tested on shorter trade routes such as Alaska, Hawaii and Puerto Rico. By the midsixties the service expanded to the major trade routes. During the Vietnam Conflict a contractor operated intermodal system was established that proved highly successful in a war environment. Using contractor furnished chassis and tractors, containers were moved from the ports directly to the depots for unstuffing.

c. The advent of the intermodal container has replaced the CONEX system. The same cargo protection which was gained from the use of CONEXs is also provided by maritime containers. The added advantages of the intermodal container were more frequent service, shorter intransit times and lower shipping costs. The operation of intermodal container systems involved a

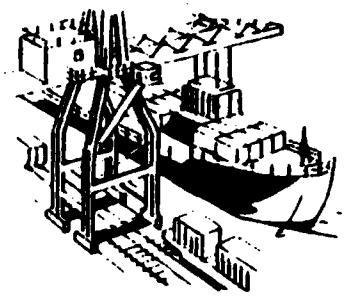
substantial capital investment for equipment and facilities. With the exception of a limited capability that was developed to handle ammunition in containers, DOD elected to use commercial container systems to meet nearly all movement requirements. The limited volume of retrograde cargo (less than 20 percent of total volume) makes it uneconomical for DOD to operate an intermodal system since a majority of containers retrograded to CONUS would be returned empty.

d. Nearly all cargo that is containerizable is being shipped in containers. For over a decade, intermodal containers have been the predominant mode for international surface shipments, as illustrated at figure 1-1. DOD logistical support systems have been developed and expanded to capitalize on the source to user capabilities of container systems. Since the maximum extent which DOD can use containers for general and refrigerated cargo has been largely reached, major efforts are directed to improving the response and cost of the container system. These efforts will be accomplished through refining distribution procedures, developing automatic data processing systems to improve control and management of cargo flow, and by streamlining the offering and booking procedures.

EXPORT CARGO TRENDS

BREAKBULK vs CONTAINER

(EXCLUDES AMMO/ACFT)



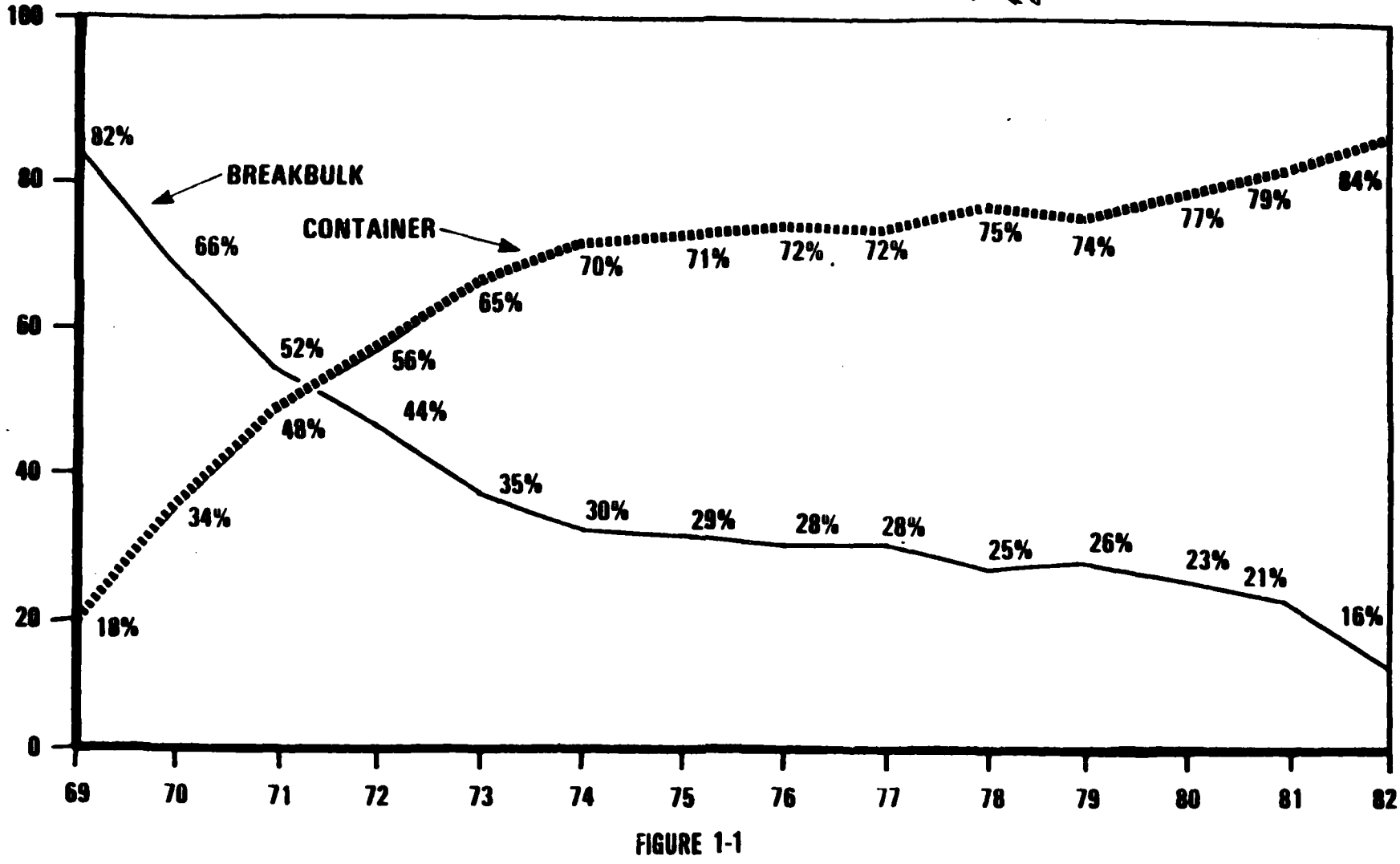


FIGURE 1-1

CHAPTER 2

POLICIES AND RESPONSIBILITIES

2-1. POLICIES

a. DOD policy is to rely on the use of container resources and services furnished by the commercial transportation industry insofar as such support is responsive to military requirements, and is cost-effective in the overall transportation system.

b. In the interest of ensuring the capability of the MSC controlled and nucleus ships to meet peacetime, emergency and wartime requirements, it is DOD policy that these ships be best used when and where available.

c. Consistent with the policies stated above, containers are the preferred mode of transportation for all items when service is available, feasible, economical and operationally acceptable.

2-2. RESPONSIBILITIES

a. The Assistant Secretary of Defense (Manpower and Reserve Affairs) and (Installations and Logistics) is assigned overall responsibility for transportation and policy. The Directorate for Energy and Transportation Policy reviews intermodal operations and ensures coordination among agencies about container systems development and management.

b. Military services and other DOD agencies develop programs for using containers according to DOD policy, forecast cargo movement requirements, and coordinate with the transportation operating agencies in developing operational procedures for the use and management of containers.

c. MTMC is the single manager agency for defense traffic in peace and in war times. MTMC interfaces with shipper services on movement and documentation of surface container cargo from origin to destination and breakbulk cargo through CONUS and oversea ports. This includes receiving cargo offerings from the shipper services; routing the cargo; designating the mode of carriage; booking cargo with commercial carriers under the rates, terms and conditions of MSC agreements, contracts or commercial tariffs; booking cargo with MSC for lift on MSC controlled ships; and recommending conditions of carriage for inclusion in MSC procurements.

d. MSC arranges for procurement of all sealift for DOD cargo and passengers and, maintains, operates, and controls all Government-owned ships assigned to MSC and other ships acquired under charter or requisition providing ocean transportation.

e. Shipping activities, within guidelines contained in DOD and service directives and local procedures, submit requirements for container service to the respective Military Export Cargo Offering and Booking Office (MECOBO). These activities use available container equipment consistent with operational requirements, and prepare and submit Military Standard Transportation and Movement Procedures (MILSTAMP) documentation.

f. The commercial ocean carriers, according to the terms of MSC agreements and contracts or commercial tariffs, provide container service to shippers as arranged by the MECOBO.

CHAPTER 3

CONTAINER TRANSPORTATION SERVICES

3-1. MILITARY SEALIFT COMMAND CONTAINER AGREEMENT

a. The majority of containerized military cargo moves under the provisions of the MSC Container Agreement. This agreement provides rates, terms, and conditions for services required for the movement of containerized cargo from origin to destination. A Request for Proposals (RFP) is issued annually to solicit offers for ocean and related inland container transportation services on major international trade routes. In order to provide stability to both the ocean carriers and the Government for cost of services required, rates are only revised semiannually. Major changes to the terms and conditions of the MSC Container Agreement are only incorporated into the annual RFP solicitation. Similarly, the MSC Shipping Agreement pertains to noncontainerized breakbulk transportation services. The MSC Container Agreement incorporates terms and conditions at competitively bid rates for the following transportation services:

(1) Basic service. Ocean transportation from the port of embarkation (POE) to the port of debarkation (POD).

(2) Drayage/line-haul. Placing an empty container at the inland stuffing point designated by the Government and moving the container, when stuffed, to the commercial ocean terminal and/or moving a stuffed container to an inland point designated by the Government and removing the empty container after unstuffing.

(3) Stop-off service. To stop a stuffed container en route at a place listed in the schedule of rates designated by the contracting officer for additional stuffing/unstuffing.

(4) Controlled atmosphere service. Providing containers with preservative gases to reduce spoilage of perishable contents.

(5) Stuffing/unstuffing service. Physically placing cargo into or removing cargo from containers at the ocean carrier's terminal.

(6) Supercargo transportation service. Providing transportation, subsistence, and accommodations to personnel accompanying cargo.

(7) Equipment leasing service. Provides rates, terms and conditions for leasing containers and/or chassis from ocean carriers.

(8) Container detention. Rates, terms and conditions for container detention are set by MSC.

b. According to the RFP, bids are submitted to MSC for basic service and segregated by cargo category and trade route. Categories rated are general cargo, vehicles and refrigerated; separate line-haul/drayage and ocean rates are provided for small containers (under 32') and large containers (over 32') by category. The bids are analyzed by MSC to verify that rates quoted by the carriers are equal to, or less than, rates for comparable commodities carried under US commercial tariffs. Once the rates are negotiated between the carriers and MSC, agreements are completed and published in the MSC Container Agreement and Rate Guide.

c. Any combination of services available under the terms and conditions of the MSC Container Agreement can be ordered by the MECOBO. For example, although line-haul/drayage rates are provided by ocean carriers for both CONUS and overseas, DOD is not obligated to use these rates. DOD can arrange for line-haul/drayage by exercising the military traction provision or by using commercial tariffs/tenders provided the carriers have an interchange agreement with ocean carriers.

d. In most cases, MECOBOs book cargo to the ocean carrier that can meet the delivery requirements of the cargo at the lowest overall cost. If the cost favorable carrier is unable to meet the requirement of the cargo offering, the cargo will be tendered to the next lowest cost carrier.

e. There are exceptions to the general guidance. Depending on the number of carriers competing for DOD cargo and the amount of cargo moving over specified trade routes, certain restrictions apply to the cargo booking process. On selected major trade routes no single carrier can receive more than a specified percentage of the aggregate quarterly cargo moving over the trade routes. The purpose of this restriction is to encourage multiple carrier service over these important trade routes and foster the growth of US flag shipping. This, in turn, encourages an expanded availability of resources for the Sealift Readiness Program (SRP).

f. In order to be responsive to the RFP for container transportation services, ocean carriers must participate in the SRP. Basically, the SRP is an agreement through which the carriers commit a minimum of 50 percent of their shipping assets to DOD for use in emergency situations when determined to be in the interest of national defense by the Secretary of Defense. This SRP commitment is a significant contribution to the US strategic mobility capability. In addition to ship commitments, carriers commit total container systems. Carriers commit to the SRP three times the number of containers that the committed ships can carry below deck and two highway trailer chassis for every three containers committed. At any one time, there are usually more than 100 ships committed to the SRP. Approximately 40-50 percent of the commitments are container ships, thus ensuring container transportation capability in times of national emergency.

g. While all carriers responding to the RFP must commit to the SRP, there are additional requirements placed on the low rated carrier on each trade route. Under the provisions of the MSC Container Agreement, the low rated carrier for small and large containers carrying general cargo must offer MSC a minimum of 25 percent of the container capacity of each sailing over that trade route.

h. Further, in certain cases, the low rated carrier must offer a minimum number of chassis for drayage of container by military transportation. This practice assures the use of military resources in the oversea areas and provides military personnel with training in managing, handling and moving commercial containers and associated equipment.

i. The MSC Container Agreement provides responsive sealift support to the DOD and the shipper services while remaining within commercial common carriage practices. While the MSC Container Agreement provides the framework for the bulk of the container transportation, there are certain instances where other arrangements must be made to further container transportation.

3-2. OTHER CONTAINER SHIPPING ARRANGEMENTS

When container service is required on trade routes not incorporated into the MSC Container Agreement, the following shipping methods are used:

a. Special contracts on specified trade routes. In the worldwide cargo movement requirements of shipper services, there are specific locations not normally served by US or foreign flag commercial container carriers. In order to benefit from the advantages of containerization, individual contracts are negotiated between MSC and commercial ocean carriers to provide service to these locations. Container service between the US and Guantanamo Bay, Bermuda and Alaska are examples of this arrangement.

b. Commercial tariff. Cargo is shipped under the rates, terms and conditions of commercial ocean tariffs under the following conditions:

(1) To the low DOD traffic volume areas like Australia, South America, and Africa.

(2) When cargo delivery requirements dictate use of ocean carriers other than those holding the MSC Container Agreement, as the foreign flag carriers.

(3) When dictated by host nation agreements or foreign government policy. For example, the use of Icelandic flag ships for US military cargo to and from Iceland.

(4) In the US, offshore domestic trades between CONUS and Hawaii, Guam and Puerto Rico, where public law prohibits solicitation of competitive rates.

Unlike the MSC Container Agreement which simplifies the rate structure into three basic commodity rates (general cargo not otherwise specified, vehicles, and refrigerated cargo), commercial tariff rates vary widely, depending on the specific commodity. Therefore, accurate cargo description is important when cargo must be shipped under commercial arrangements. Rates may be negotiated by MSC when cargo is shipped in the international trades under commercial tariff terms.

c. MSC controlled shipping. MSC controlled shipping consists of the nucleus fleet and ships under charter to MSC. This inventory of ships provides an on-hand transportation resource to meet DOD and shipper services cargo movement requirements. While most of these vessels are breakbulk, some have limited container capability and use containers owned and/or leased by MSC. This arrangement provides container service to areas like Diego Garcia, Midway, down-range Caribbean Islands, and Antarctica not serviced by commercial carriers.

CHAPTER 4

CONTAINER OPERATIONS

4-1. GENERAL

a. DOD supply systems have evolved to capitalize on container systems to deliver materiel directly from distribution centers to users. This source-to-user capability permits the shipper services to reduce or eliminate intermediate stockage levels in oversea theaters with substantial reductions in inventory costs. Distribution systems of the shipper services include several options for containerizing cargo. These options include source stuffing by vendors and depots, use of service operated container consolidation points (CCPs) and containerization at the ocean terminals. The volume of cargo, required delivery dates (RDDs), availability of containers, operational considerations and other factors will determine the routing selected by shippers. The procedures described in this chapter apply to shipments originating within CONUS, unless otherwise specified, but the principles apply worldwide.

b. Requisitioners are encouraged, as permitted by consumption factors and authorized stockage levels, to order materiel in container load quantities. Military service and agency procurement activities combine requisitions and procure container load quantities from vendors for direct shipment to oversea supply activities. The procurement activity will determine the requirement for containers and submit the request to MECOBOs for booking with ocean carriers. When vendors are required to source stuff containers they are responsible for stuffing containers and releasing shipments to POEs within the prescribed time frames to allow loading aboard scheduled vessels. MILSTAMP documentation is usually prepared by the procurement activity and forwarded to the MTMC area commands for manifesting purposes.

c. When materiel volume is insufficient for vendor source stuffing, the next option is to route cargo into designated CCPs for consolidation and containerization. DOD components have established one or more CCPs to accomplish their respective distribution mission, as shown at figure 4-1. By focusing cargo volume into the CCPs, full container loads can be generated in less time thereby reducing the total pipeline time for export less-container-load shipments. This reduces inventories overseas, increases use of containers, minimizes transportation costs, and reduces cargo handling with the end result of providing better service to the customer.

CONTAINER CONSOLIDATION POINTS (GENERAL CARGO)

AD Sharpe, CA	AAFES Oakland, CA
AD New Cumberland, PA	AAFES Atlanta, GA
AF Sacramento, CA	DD Tracy, CA
AF Warner Robins, CA	DD Mechanicsburg, PA
NSC Oakland, CA	
NSC Norfolk, VA	

FIGURE 4-1

d. The majority of DOD cargo shipped in containers is stuffed at source, i.e., depots, installations, vendors, and CCPs. When source stuffing is not possible or economical, cargo is shipped into a designated military ocean terminal (MOT). Seven military operated terminals are used for the consolidation and containerization of general cargo. MILSTAMP provides guidance to assist shipping activities in determining the POE to be used for less-release-units shipments to specified oversea destinations. Instructions for release unit shipments are provided by MECOBOs. Terminals are designated on the available surface transportation service (e.g., frequency, transit times, etc.) to respective oversea areas and overall costs from origin to destination. When stuffing is performed by the ocean terminals, the shipper services are billed at applicable stuffing rates. The same constraints in segregating, staging and consolidating cargo to consignees which prevail at source stuffing activities are also encountered by the ocean terminals.

e. All container stuffing activities (e.g. vendors, depots, CCPs, MOTs) have several options for consolidating cargo into full container loads. In general, the order of choices for stuffing containers are:

(1) A full container load for a single consignee. All cargo in the container is for one supply activity. This is the prime objective. Some oversea bases have designated one activity to receipt for containers, do the unstuffing, and transship cargo to other supply activities on the same base. In these instances the cargo of multiple consignees on the same base can be consolidated into full container loads for consignment to the designated central receiving point.

(2) Use of stop-off service for two or more consignees in the same oversea geographic area, on a first-in/last-out basis with clearly marked cargo separations. Pairings are usually predetermined by the oversea theater commanders, and instructions are issued concerning delivery schedules and sequence, limits on number of stops, and other matters.

(3) Stuff cargo for multiple consignees in the same container for unstuffing at an oversea ocean terminal or breakbulk point (BBP), with the consequent rehandling and transshipment to each individual consignee. This option is more costly in terms of additional handling, transportation, and loss and damage. Five additional days are involved for this option as compared to shipping directly to a single consignee.

4-2. SHIPMENT PLANNING

The shipping cycle for container stuffing activities begins when requirements for containers are developed to handle the volume of materiel expected to be available for shipment. In most cases, shippers do not wait for cargo to be physically available for shipment when determining their container requirements. An exception would be vendor shipments where purchase orders specify delivery requirements and containers are requested specifically against these requirements. A variety of methods are used by shippers to project their transportation requirements. Past experience, supplemented by some insight to future trends, is used by most shippers. Accurate forecasting of requirements and sound management practices are essential. If shippers were required to have cargo physically on hand at the time containers are requested, the order ship time could be expected to increase substantially above current levels. Significantly more warehouse space and labor would be needed to stage and consolidate cargo for containerization. As a rule, the shippers submit their movement requirements 3 weeks before the desired sail date.

4-3. OFFERING AND RELEASING OF CONTAINERS

a. Figure 4-2 illustrates the actions involved to acquire, stuff, document and move a container within the Defense Transportation System (DTS).

b. Requirements for container service are forwarded to the designated MECOBO according to procedures contained in AR 55-355 (Military Traffic Management Regulation), MILSTAMP, and/or local service or command directives. An abbreviated export release request has been specified for CONUS shippers. CONUS shippers are required to provide, as a minimum, the following information:

(1) Number and type (large or small) containers required.

(2) When and where containers are required for stuffing.

(3) Destination.

CONTAINER
OPERATING, ACCEPTANCE AND DELIVERY PROCEDURES

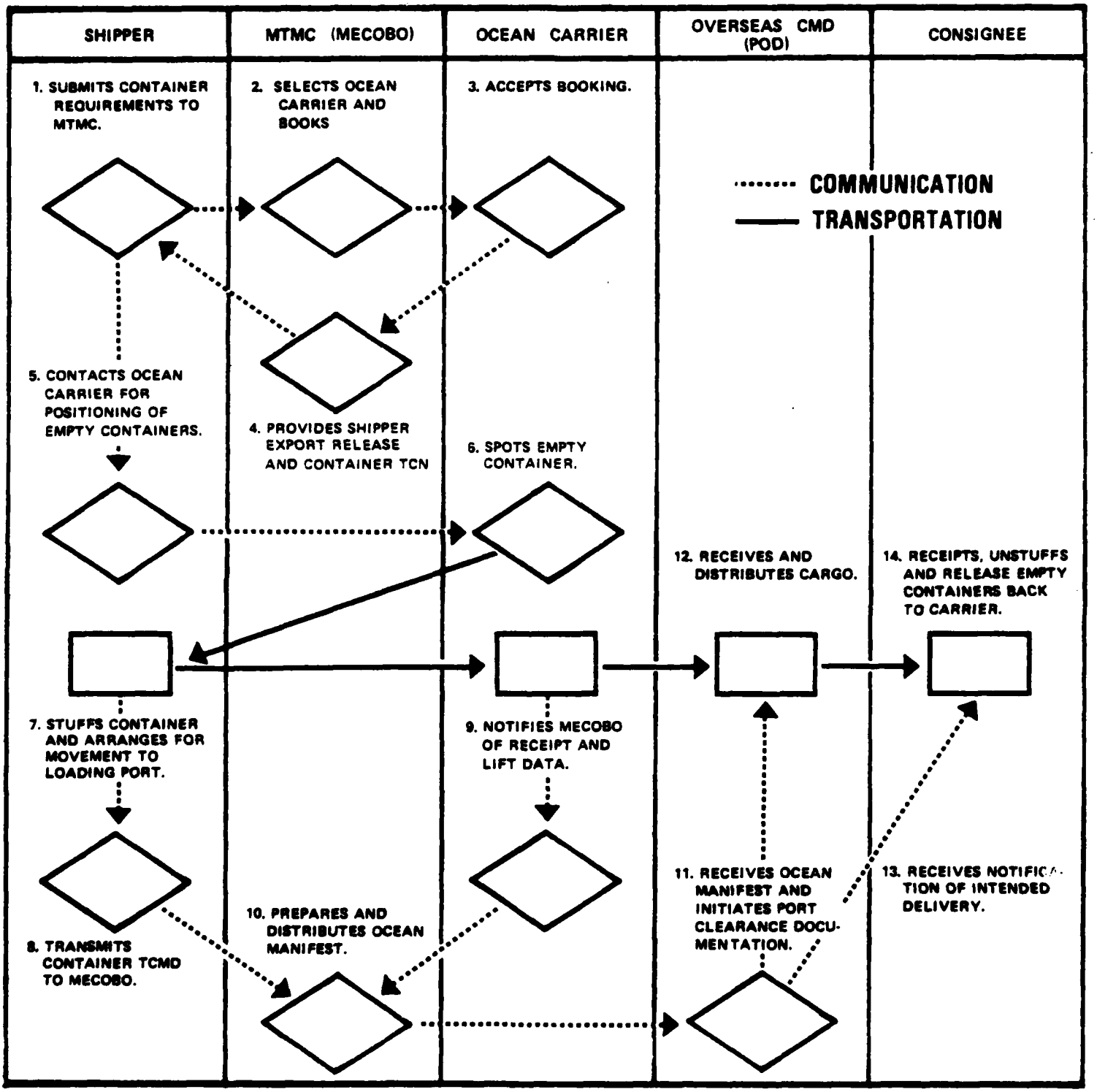


FIGURE 4–2

(4) Priority and RDD, if applicable.

(5) Whether cargo is sensitive or requires protective handling.

c. Cube and weight of cargo are not required unless shippers request specific size containers (e.g., 35' vs 40'). If a specific size container is required, a complete description of the cargo, including commodity, actual dimensions, weight, cube or a concise statement of the operational requirement, or other reasons for making use of a specific size container necessary, is needed.

d. The MECOBO selects the routing that can meet the shipper requirement at lowest overall cost to the Government. The MECOBO determines the terms of carriage, the POE and POD, the ocean carrier and the containers by size and type. Cargo is then offered to the ocean carrier. The carrier, in accepting the cargo, will confirm the booking, name the ship, provide sailing dates, and the estimated time of arrival at oversea ports. When offerings are rejected by a carrier, the MECOBO will offer cargo to the next carrier in the pecking order.

e. The MECOBO then provides the shipper with an export traffic release containing all pertinent information for the shipment, assigns a transportation control number (TCN) for each container, and specifies the dates the containers must be at the POE for loading on the ship.

4-4. LINE-HAUL/DRAYAGE OF CONTAINERS

Line-haul and/or drayage of containers is generally ordered by the MECOBO under the terms of the MSC Container Agreement or other contracts. This service is provided by ocean carriers through the interline agreement with commercial line-haul carriers. Line-haul/drayage can also be arranged outside agreements and contracts using commercial tariffs and/or military traction. After receipt of the export traffic release from the MECOBO, shippers coordinate the spotting/pickup of containers according to the release instructions. The majority of vendor shipments are procured through free on board (f.o.b.) ports. In these instances the vendor arranges for spotting the empty container and the line-haul/drayage of the loaded container to the POE.

4-5. PORT OF EMBARKATION PROCESSING

After loaded containers are released to the carrier by the shippers, they are moved to the POE listed in the shipping orders. The MSC Container Agreement requires ocean carriers to provide the MECOBO with information concerning the receipt and lift of containers, and departure of vessels. This information is necessary to make sure that all containers loaded on the carriers' vessels are manifested.

4-6. OCEAN MOVEMENT

a. Practically all containers are shipped on regularly scheduled commercial ships. The schedules of these ships are subject to frequent changes due to weather, mechanical difficulties, acts of God, etc. When this occurs, shippers and oversea commands are informed of changes by the MECOBO.

b. Loading, stowing and discharging of containers to and from the ship are the responsibility of the ocean carrier. The costs for these services are included in the basic ocean rates.

4-7. PORT OF DEBARKATION PROCESSING

a. Based on information contained in the cargo traffic message and ocean manifest, arrangements are made for the onward movement of containers from the POD to consignees. Customs clearance documentation is prepared by the terminal activities at the POD. If the manifest indicates delivery by the ocean carrier to the inland destination, line-haul automatically begins within the time frames specified in the MSC Container Agreement.

b. If the manifest indicates delivery to the ocean carrier's terminal, inland transportation arrangements are made by the military service having responsibility in the country involved. Coordination is effected with consignees to enable rapid unstuffing and turnaround of empty equipment. When requested by consignees, MECOBO area offices can arrange for containers moving under the MSC Container Agreement to be staged at the POD until consignees are ready or able to receive them. Shortstops or diversions can also be arranged at the request of proper authority. The original manifest is amended by the originating MECOBO to reflect the revised arrangements between MSC and the ocean carrier to support proper payment.

4-8. CONTAINER RECEIPT/UNSTUFFING OPERATIONS

a. Carriers are responsible for container delivery during normal duty hours, providing containers on chassis compatible with military equipment, spotting containers at designated unstuffing locations, and prompt removal of empty containers released by consignees.

b. Consignees are responsible for safe handling and prompt unstuffing of the containers, and reporting cargo discrepancies (e.g., shortages, overages and pilferages) discovered during the unstuffing operation. Detention is incurred when containers are not released to carriers within prescribed time frames. This increases the cost to DOD and, in extreme cases, may degrade service to shippers when backlogs cause a shortage of containers.

c. The shipping cycle is complete when consignees receipt for containers, unstuff contents, and release empty containers back to the ocean carrier or to a designated representative (common/contract line-haul carrier). When the Government performs line-haul/drayage by military traction, or by using commercial tariffs/tenders, the Government is obligated to return empty containers to a mutually agreed location. When line-haul/drayage is performed by the ocean carrier, the empty containers are returned to the ocean carrier at destination for commercial cargo requirements.

4-9. DOCUMENTATION

a. The principal documents prescribed by MILSTAMP to control and to monitor the flow of cargo in the DTS are the DD Form 1384 (Transportation Control and Movement Document), and DD Form 1385 (Cargo Manifest). The DD Form 1384 is prepared by shippers and provides thorough information about the container and its contents. It is the source document for preparing the ocean manifest.

b. The ocean manifest prepared by the MECOBO perpetuates the DD Form 1384 data provided by shippers and information received from the terminal operators and ocean carriers. In CONUS and major oversea areas, automated data processing programs have been developed to process input to the ocean manifest. Ocean manifests are provided to the terminal activities at the POD for planning purposes and advance preparation of customs documents. Manifest data is used by MSC to support payment of transportation costs to ocean carriers and to support billing to the shipper services.

c. The MSC Container Agreement contains the rates, terms and conditions which ocean carriers transport cargo in containers for DOD. When transportation services are ordered under the MSC Container Agreement, the MECOBO ordering the service issues a shipping order to the ocean carrier, specifying the services ordered. This shipping order, supported by the ocean manifest which details cargo accountability or sponsorship, executes the contract of carriage and all terms and conditions of the MSC Container Agreement are deemed combined. The shipping order is the carriers contractual authority for billing MSC for cargo movement. After the ship has been booked and the ordered services provided, the carrier will submit a properly certified invoice to the MSC activity designated as the paying office.

d. Commercial ocean tariffs includes the rates, terms and conditions offered by ocean carriers to the public at large for the transportation of cargo. When transportation services are ordered under the commercial tariffs, a Government bill of lading (GBL) is issued to the ocean carrier. The GBL constitutes the contract of carriage. Any exceptions to the terms and conditions of the commercial tariff, such as negotiated rates, are annotated on the GBL. Supporting cargo description data is furnished to the MECOBO based on information provided by the shippers.

4-10. SPECIALIZED CARGO

a. Hazardous cargo.

(1) The transportation and handling of hazardous cargo is subject to the Code of Federal Regulations, Title 49, and the International Maritime Dangerous Goods Code. Also, when transportation of this cargo is in foreign countries, the local laws and regulations apply. Under the Code of Federal Regulations, Title 49, no person may offer or accept any hazardous cargo for transportation in commerce within the US unless the cargo is properly classed, described, packaged, marked, labeled, and documented. Hazardous cargo includes, but is not limited to, flammable liquids and solids, oxidizing materials, corrosive liquids, compressed gases, and poisonous substances. Cargo such as aerosol spray cans of paint, deodorant and shaving cream are included in the hazardous cargo category.

(2) Detailed information must be given to the ocean carrier in advance of cargo receipt to aid in the planning and loading of containers. Advance information concerning hazardous cargo shipments is essential since some ocean carriers limit the number of hazardous cargo containers which they will accept for each voyage.

b. Refrigerated cargo (reefer).

(1) Refrigerated container requirements are processed the same as dry cargo container requirements. Less shippers are involved in the transportation of perishable commodities, requirements are usually repetitive, and distribution patterns are relatively static.

(2) The terms and conditions for the carriage of reefer cargoes are strictly enforced. Deviations can cause cargo spoilage from excessive intransit times, equipment malfunctions, and improper stowage.

(3) The inventory of reefer containers is substantially smaller than dry cargo containers. To ensure a constant supply of containers for DOD requirements, especially during seasonal and holiday periods when commercial requirements are also higher, a smooth flow of containers must be maintained. Intense management is required throughout the system to obtain the balanced movement of containers and to ensure that containers are available to satisfy the demands on the DTS.

CHAPTER 5

PERFORMANCE INDICATORS

5-1. GENERAL

The maximum benefits resulting from the use of containers are obtained when full container loads can be stuffed at or near supply sources for single oversea consignees. This routing eliminates the rehandling of cargo from shipper to final destination. A sufficient volume of cargo must be on hand, however, to economically utilize the container without excessive cargo hold times. Consequently, the basic trade-offs in container management are vendor vs depot, source vs ocean terminal stuffing, single vs multiple consignee containers, small vs large containers, cargo hold time, and cube utilization (figure 5-1).

TRADE - OFFS
Source vs ocean terminal stuffing
Single vs multiple consignee containers
Small vs large container
Cargo hold time
Cube utilization

Figure 5-1

5-2. SOURCE VS OCEAN TERMINAL STUFFING

Nearly 85 percent of the total general cargo shipped in containers is source stuffed by depots, installations, CCPs or vendors. The balance is shipped to the ocean terminals for consolidation. There are certain constraints to source stuffing containers such as small volumes, high priorities and RDDs which prevent holding cargo to accumulate an economical container load. Another consideration is the availability of containers when and where required. Under the terms of the MSC Container Agreement, ocean carriers provide empty containers to the Government at no cost. When CONUS line-haul

movement is not governed by the MSC Container Agreement, line-haul costs are usually charged to position an empty container at an inland point. Due to the high cost of positioning these containers, it is generally more economical to ship cargo to the port by breakbulk for stuffing at the ocean terminal.

5-3. CUBE UTILIZATION

MSC pays the ocean carrier and bills the shipper services on 100 percent cube utilization of the container for general and reefer commodities. Therefore, DOD shipping activities should maximize use of each container, consistent with cargo hold time and single vs multiple consignee performance. Operational requirements, configuration and density of cargo, availability of specific size containers, cargo volume, etc., determine and influence the levels of cube utilization which can be realized by individual shippers. Extensive efforts and emphasis have been placed on increasing cube utilization and significant advancements have been made. However, it should be recognized that cube utilization is only one of the trade-offs in the economic use of containers.

5-4. SINGLE VS MULTIPLE CONSIGNEE CONTAINERS

a. Direct container shipments to ultimate consignees minimizes the cargo to loss, damage and pilferage, reduces intransit time by 5-8 days, and improves the visibility and accountability of cargo in the DTS. Economic analysis has shown that, if necessary, a 10 to 15 percent reduction in cube utilization of multiple consignee containers can be accepted to achieve a direct container shipment to a single consignee or central receiving point. The additional transportation costs incurred by reducing cube utilization are offset by avoiding the cost of rehandling and transshipping the cargo via an oversea ocean terminal or BBP.

b. Stop-off service is generally the second choice when direct single consignee loads cannot be made. Intermediate stops are allowed for 4 hours of free time to unload; the final destination is allowed the full 72 hours free time. The general rule for cost-effective utilization of stop-off service is to limit it to not more than two stops en route to final destination, and a minimum of 5 measurement tons per stop.

c. Shippers may use designated oversea BBP or ocean terminals as transshipment points for mixed container loads for multiple consignees when sufficient volume is not available for direct shipment. However, since additional costs are incurred for the container unstuffing and rehandling process, this alternative should be used only when a single consignee shipment or use of stop-off service is not economically feasible.

5-5. SMALL VS LARGE CONTAINERS

a. The use of small containers is declining because of the higher cost and the more favorable rates for large containers. Generally, the minimum cargo volumes required to justify the use of small containers are so high that they exceed the capacity of the box or are not realistically attainable for most shipments. Large containers with relatively lower cube utilization can be used and be more cost-effective than small containers.

b. Cube utilization goals should not penalize shippers for using large containers at lower cube utilization if this results in a lower overall cost to the Government. While high cube utilization performance is desirable, it should be consistent with cost-effectiveness. For example, higher cube utilization in a small container has no validity if the box cost for small containers is greater than for large containers.

c. An analysis of routing options is necessary to determine the minimum cargo volumes required to economically justify the use of small vs large containers.

5-6. CARGO HOLD TIME

This is the length of time required to accumulate cargo to achieve economical container loads. Standards and objectives have been prescribed by DOD and service directives to guide the shipping activities in determining how long to hold the cargo without any adverse effect on total order ship time. The prime consideration should be to meet the RDD. Therefore, when container stuffing activities can increase cube utilization or generate full container loads to single consignees by holding cargo beyond the prescribed hold times, and still meet the RDD, they should do so.

5-7. ORDER SHIP TIME OBJECTIVES/STANDARDS

a. Inventory costs are directly related to the time required to resupply oversea customers. The longer the order ship time, the greater the inventory must be to sustain operations until resupply can be completed. Since substantial cost savings can be achieved through reductions in inventory costs, supply systems have been developed to capitalize on the capability of container systems. These container systems provide dependable service in less time and at a lower cost than was possible with conventional breakbulk shipping.

b. Ocean carrier service (frequency and transit times) has become increasingly important in management decisions involving the selection of ocean carriers for DOD shipping requirements. In some cases, the carrier with the lowest overall cost may not provide the best service. Since use of a higher cost carrier involves additional appropriated funds and may conflict with the contractual relationship between MSC and the ocean carriers, shipper services must demonstrate that such deviation is justified by service considerations or operational requirements.

5-8. DETENTION

Charges for container detention occur when the empty container is not released to the ocean carrier within the allowed free time. Ideally, large volume consignees should have a smooth flow of stuffed containers arriving and empty containers leaving the facility. Problems arise when this smooth flow is disrupted because of various reasons, from overordering to bunching of containers because of ship rescheduling. When excessive detention happens the ocean carriers incur an imbalance of equipment, causing container shortages at CONUS stuffing activities. Carriers can then lose lucrative commercial inbound cargo which causes, in the long term, higher ocean freight rates to MSC for future rate cycles. Despite the problems that lead to container detention, it must be accepted that a certain amount of detention is inevitable because of the nature of the container delivery system. Each DOD component is held accountable for their operations and management decisions to incur, or not to incur, detention. They are billed separately by MSC for all detention charges accumulated by their field activities.

5-9. BOOKED VS LIFTED

a. Ocean carriers are required to provide serviceable containers to shippers within the time frames prescribed by the booking or the terms and conditions of the MSC Container Agreement, and to lift containers to booked sailings. Shippers are required to use containers according to bookings, and release containers to ocean carriers to meet the booked sailings. The MSC Container Agreement provides that either party can change a booking without penalty if changes are made at least 5 working days before the sail date. Otherwise, liquidated damages can be assessed as allowed by the MSC Container Agreement.

b. An objective is to minimize the number of shipments that are not lifted as booked since deviations can interrupt the smooth flow of containers, delay the delivery of cargo and increase costs to the Government. Deviations can be categorized as follows:

(1) Advances. Containers are advanced to an earlier sailing. In part, this is done to fill the space in containers that do not arrive in time to meet the scheduled sailing, thus, the Government avoids paying "dead freight."

(2) No-shows. Containers do not arrive at the port in time to meet the scheduled sailing. Frequent causes of no-shows are failure of cargo to generate in time to permit line-haul/drayage to port, shipper does not stuff/document container to meet sailings, and ocean carrier does not provide an empty container within time frames prescribed by the MSC Container Agreement.

(3) Shut-outs. Containers arrive at ports in time to meet scheduled sailing but ocean carriers fail to lift containers.

CHAPTER 6

DOD CONTAINER MANAGEMENT SYSTEM

6-1. GENERAL

The control of cargo in the DTS is shared by five major participants: shippers, MECOBO, MSC, ocean carriers, and oversea commands. Cargo movement procedures contained in MILSTAMP provide the common data base for the container management system, which operates on an exchange of data among the participants by many methods of communication (e.g., transceivers, electrically transmitted messages, mail, etc.). This section describes the DOD components requirement to provide information on the flow of materiel in the DTS.

6-2. SYSTEM PARTICIPANTS

a. Shippers. Depots, vendors, CCPs, and contracting/procurement activities. Shippers either stuff or sponsor the stuffing of containers, document, then the containers are given to the carriers for transporting to the port.

b. MECOBO. The MECOBO is the overall manager of the export traffic system, from the shipper to the final destination. The duties are:

(1) Accepts cargo offering from shippers.

(2) Books cargo with the ocean carriers, provides booking and routing information to the shippers.

(3) Clears the containers for movement from the shipper's facility to the port (ocean carrier's terminal).

(4) Monitors the flow of containers to the port and lift aboard vessels.

(5) Prepares and distributes the ocean manifest.

(6) Maintains information required to control movements.

The MECOBO monitors shippper/carrier/receiver performance compliance with the MSC Container Agreement and contracts and reports shipper/carrier/receiver performance deficiencies and violations to the MSC contracting officer.

c. MSC. MSC is responsible for procuring all sealift for DOD cargo and passengers including negotiating the ocean rates, the terms and conditions of the service and handling claims and disputes. MSC also publishes all contractor agreements and provides all ocean transportation rates to MTMC and the shipper services and makes payment to carriers based on certified carrier billings submitted by the MECOBO.

d. Ocean Carriers. Commercial steamship companies provide transportation assets required to move the cargo. In addition, they provide the MECOBO and/or terminal operators with information pertinent to moving DOD sponsored cargo in containers as specified by the MSC Container Agreement or other contracts.

e. Oversea Commands. Based on manifest data, provides for the control and management of the containers, from the POD through receipt by the consignees.

6-3. MANAGEMENT SYSTEM DESCRIPTION

a. Various systems are employed by the clearance authorities to clear shipments into the DTS. In CONUS, the MTMC system processes the export release requests for containers. This produces the documentation required by traffic management personnel to route shipments, select the lowest cost routing, and book container requirements with the carrier. After the confirmed booking information is received and entered in the system, an export release is automatically issued to the shipper. Release information is also provided to the ocean terminals. This information is used by the MECOBO and/or terminals to monitor the status of containers booked through POEs within their respective areas of responsibility.

b. Once the shippers receive release data from the MECOBO, they are authorized to obtain the containers that have been booked from the ocean carriers, stuff the containers, and release them to the inland carrier for movement to the ocean carrier terminal in sufficient time to meet the assigned vessel cut-off date. Shipper submission of an advance DD Form 1384 to the MECOBO and terminals shows that a container is stuffed and/or en route to the POE. For export surface shipments from CONUS, the advance DD Form 1384 serves as the primary input to the MTMC system. This system maintains accountability of cargo from the receipt of the advance DD Form 1384 to manifesting cargo aboard a ship. Oversea commands perform many of the same functions for exporting shipments to CONUS.

c. With the receipt of the cargo traffic message and advance manifest from POEs, oversea terminal operators, local traffic management commands or agencies assume responsibility for customs clearance and control and management of containers destined to consignees within their areas of responsibililty.

d. Tracing and Diversion.

(1) Shipments within the DTS are controlled by the TCNs. Tracing and diversion actions are complicated by the process of shipment consolidation. Requisition line items may be consolidated into shipment units, and each shipment unit identified by a TCN. These shipment units are further consolidated into containers, and each container is assigned a separate TCN.

(2) If the shipment unit TCN is known, the systems can respond to tracers and shipment diversions that are submitted according to MILSTAMP procedures. These tracing and diversion actions are addressed to the POE, POD or the shipping activity, depending on the information available to the activity initiating the action. If the shipment unit TCN is not known the requisitioner must send the tracer to the supply activity.

CHAPTER 7

FINANCIAL MANAGEMENT SYSTEM

7-1. GENERAL

MTMC and MSC are both on an industrial fund basis, with expended costs recovered from the shipper services. Annually, each organization submits a detailed budget covering its entire operation, with the transportation element based on forecast requirements submitted by the shipper services for projected volumes of cargo. These budgets include the proposed rates to be charged to the customer. Overhead costs, exclusive of military pay and allowances, of MTMC, MSC and subordinate commands are included in the industrial fund budget. The goal is to operate as closely as possible to a breakeven point, accruing neither a profit nor a loss. Revenues recovered from the shipper services, based on actual transportation movements and other related services will, eventually, equate to the cost incurred by MTMC and MSC in the management and physical processing of these activities.

7-2. MILITARY SEALIFT COMMAND BILLING PROCEDURES

a. Ocean carriers submit certified invoices with the shipping orders to MSC for services performed. MSC, in turn, bills the shipper services at standard billing rates to cover these services and other related operational expenses. Billing rates are developed by MSC to simplify the process involved in recouping all costs incurred in moving DOD sponsored cargo in commercial containers. Instead of determining the costs of individual container shipments and billing the shipper services accordingly, MSC, with the approval of the DOD Comptroller, develops single all-inclusive rates for the three major commodity groups (reefer, vehicles and general cargo) by trade route. These rates include, but are not limited to, expenses incurred for CONUS line-haul/drayage, ocean transportation, oversea line-haul/drayage, and all accessorial services. Therefore, for a given cargo category on a given trade route, all shippers are billed the same rate without regard to the container size and the specific services ordered by MSC or used by the shipper services.

b. Carrier bills under the MSC Container Agreement are for 100 percent of a container's capacity for general and reefer cargo. MSC billing rates as published in MSC Instruction 7600.3 are applied against the total capacity of containers actually used by shippers. For vehicles, the billing rates are applied against the manifest measurement of the cargo only.

7-3. MILITARY TRAFFIC MANAGEMENT COMMAND BILLING PROCEDURES

a. MTMC has established billing rates to recover the costs for providing traffic management and terminal operation services for moving DOD sponsored cargo. For cargo stuffed in containers, rates have been developed for the following services:

(1) Stuffing. When cargo is stuffed into a container at an ocean terminal, a service charge is levied to cover expenses incurred for receiving, staging, stuffing and documenting the cargo.

(2) Documentation. A documentation charge is applied to all cargo cleared into the DTS by MTMC. This charge covers the routing of cargo, booking, manifesting, and providing the shipper services with intransit performance data (e.g., receipt/lift) and other related management information.

b. The rates for the above services are contained in DA Circular 55-83-3, MTMC Port Handling Billing Rates.

c. MSC bills for 100 percent usage of a container's capacity consistent with expenses paid by MSC under the MSC Container Agreement. MTMC bills the services on a per measurement ton basis on the contents of the container only, and not on the inside cubic capacity. Billing information is extracted from the ocean cargo manifest, and the shipper services are billed according to the applicable transportation account code.

(MT-IT)

FOR THE COMMANDER:

OFFICIAL:

FLOYD B. MAYES, JR.
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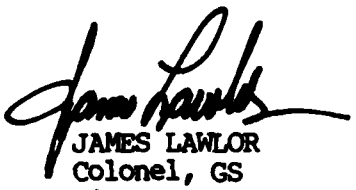

JAMES LAWLOR
Colonel, GS
Director of Acquisition and Services

DISTRIBUTION:
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Glossary
Section I
Abbreviations

BBP - Breakbulk point

CCP - Container consolidation point

CONEX - Container express

CONUS - Continental United States

DOD - Department of Defense

DTS - Defense Transportation System

ETR - Export traffic release

f.o.b. - Free on board

GBL - Government bill of lading

MECOBO - Military Export Cargo Offering and Booking Office

MILSTAMP - Military Standard Transportation and Movement Procedures

MOT - Military ocean terminal

MSC - Military Sealift Command

MTMC - Military Traffic Management Command

POD - Port of debarkation

POE - Port of embarkation

RDD - Required delivery date

RFP - Request for Proposal

SRP - Sealift Readiness Program

TCN - Transportation control number

Section II
Terms

Breakbulk point. A transshipping activity to which multiple shipment units may be consigned for further distribution within the transportation system.

Cargo hold time. The time required to accumulate cargo to achieve economical container loads.

Central receiving point. An activity at a military installation responsible for receiving shipments, processing prescribed documentation, and distributing materiel.

Container. A reusable cargo conveyance which confines and protects the cargo from loss or damage, can be handled intransit as a unit and can be mounted and secured in or on marine, rail or highway equipment. Common types of containers are: weatherproof, dry enclosed, refrigerated, van, tank, nonweatherproof, open top, car carrier, and flat rack.

Container consolidation point. An activity designated to receive, consolidate, stage, palletize, document and containerize cargo from multiple sources for onward movement to an oversea destination.

Cube utilization. The inside use of the container usually expressed as the ratio of cargo cube to the cubic capacity of the container.

Defense Transportation System. Consists of military controlled terminal facilities, Military Airlift Command controlled airlift, MSC controlled or arranged sealift and Government controlled air or land transportation.

Direct delivery. Full container loads to a single consignee or consolidated shipments for one or more consignees that are consigned to a central receiving point or delivered via stop-off service.

Drayage. The movement of a container between the carrier's terminal at the port where the container is loaded or unloaded from the vessel, and another place within the commercial zone or modified zone of that United States port city, or within a 10 mile radius of the city limits of that foreign port city, by means other than the carrier's principal vessels, such as by highway or railway.

Free on board. When used in conjunction with a geographic location (e.g., f.o.b. port, f.o.b. destination) identifies where the Government assumes responsibility for the transportation cost of materiel procured from commercial sources.

Intransit time. The time required for shipment of cargo from supply source to ultimate consignee; computed from date shipped by shipment unit consignor to date delivered to ultimate consignee.

Less than full container load. Cargo volume which is insufficient to justify the stuffing of a container at the supply source based on economical and operational considerations.

Line-haul. The movement of a container between the carrier's terminal at the port where the container is loaded to, or discharged from, the vessel and another place outside of the commercial zone or modified zone of that United States port city or beyond a 10-mile radius of the city limits of that foreign port city by means other than the carrier's principal vessels, such as by highway, railway, canal, river, or in specific instances, by ferry or barge-ship system.

Measurement ton. Measure of cubic volume of cargo, expressed in units of 40 cubic feet.

Multiple consignee container. A container stuffed with cargo for two or more consignees.

Shipping activity. Depots, vendors and container consolidation point activities, including military ocean terminals, that consolidate, containerize, and/or document cargo for shipment within the Defense Transportation System.

Single consignee container. A container stuffed with cargo for a single consignee.

Source stuffing. Cargo which is containerized at the supply source.

Stop-off service. To stop a stuffed container en route at a place listed in the schedule of rates designated by the contracting officer for additional stuffing/unstuffing.

Stuffing. The placement of cargo into a container including any necessary chocking, bracing or dunnaging.

Supply source. Service or agency designated installations or activities (depots/vendors) that provide supply support to consignees.

Traffic management. The direction, control, and supervision of all functions incident to the procurement and use of freight and passenger transportation services.

Transshipment activity. A transportation activity responsible for receiving, processing, staging, documenting and forwarding shipments within the Defense Transportation System; may be a breakbulk point, central receiving point, container consolidation point, military ocean terminal, etc.

Ultimate destination. The unit, base, installation or depot designated to receive cargo. Also ultimate consignee.

Vendor. A commercial supplier that sells materiel to the US Government.

Ship slippages. Changes in a ship's scheduled departure to a later date.

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